

Special Condition E2A: Revenue restriction definitions in respect of the Distribution Network

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1. In this condition:

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Audit means an investigation by appropriate auditors, the scope and objectives of which shall be set by the licensee and approved by the Authority;

Deleted: means any auditors for the time being holding office in accordance with the requirements of the Companies Act 1985;

Deleted: appropriate auditors

commercial user quantity means the aggregate quantity of gas in kilowatt hours, taken off the Distribution Network in respect of the formula year by persons other than the licensee supplied with at least 5,860,000 kilowatt hours of gas but less than 1,465,355,000 kilowatt hours of gas in the formula year;

Deleted: has the meaning given to that term in Transco plc's Network Code;

Deleted: connected system exit point

Day has the meaning given to that term in the network code;

Deleted: means any day in formula year t in respect of which rights to off-take gas at a given supply point, connected system exit point or storage connection point have been curtailed by the licensee;

Distribution Network means the relevant gas distribution network defined with reference to the aggregate of its constituent Local Distribution Zones (LDZs) (having the meaning given to that term in the network code) as set out in the table below:

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<u>Distribution Network</u>	<u>Local Distribution Zone (LDZ)</u>
<u>North West</u>	<u>North West</u>
<u>East of England</u>	<u>East Midlands, Eastern</u>
<u>West Midlands</u>	<u>West Midlands</u>
<u>London</u>	<u>North Thames</u>

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<u>Distribution Network capacity curtailment rights</u>	<u>Means exit capacity curtailment rights held by the licensee in respect of LDZ capacity within the relevant Distribution Network;</u>	
Distribution Network transportation activity	means the activities of the licensee connected with the development, administration, maintenance and operation of the Distribution Network and with the supply of Distribution Network services;	
Distribution Network transportation activity revenue	means the revenue derived by the licensee from the supply of Distribution Network services to <u>gas shippers</u> in respect of the Distribution Network transportation activity (such revenue to be measured on an accruals basis);	Deleted: shippers
Distribution Network transportation quantity	means the aggregate quantity of gas in kilowatt hours introduced into the Distribution Network as a result of arrangements with <u>gas shippers and DN operators</u> in respect of formula year t less LDZ shrinkage calculated in accordance with <u>the network code</u> ;	Deleted: shippers Deleted: Transco plc's Network Code
entry capacity	has the meaning given to the term <u>NTS Entry Capacity</u> in <u>the network code</u> ;	Deleted: system entry capacity Deleted: Transco plc's Network Code
		Deleted: means the undertaking of engagements by Transco plc relating to the management of rights to input gas to the NTS;
		Deleted: entry capacity constraint management services
exit capacity curtailment rights	means rights held by the licensee to curtail rights to off-take gas from the transportation system, other than rights conferred on the licensee solely for the purpose of taking emergency steps or force majeure (having the meanings given to those terms in <u>the network code</u>);	Deleted: means the undertaking of engagements by Transco plc relating to the management of rights to off-take gas from the NTS including those relating to NExAs; Deleted: exit capacity constraint management services Deleted: Transco plc's Network Code
firm entry capacity	means that entry capacity other than interruptible entry	

	capacity;	
formula year	means a period of twelve months commencing on 1 April at 06:00 hours, the first such formula year (t=1) commencing 1 April 2004 at 06:00 hours;	
gigawatt hour or GWh	means one million kilowatt hours;	
incremental entry capacity	means obligated incremental entry capacity and non-obligated incremental entry capacity;	
incremental entry capacity services	means the undertaking of engagements by Transco plc relating to the provision of entry capacity other than NTS SO baseline entry capacity;	
incremental exit capacity services	means the undertaking of engagements by Transco plc relating to the provision of NTS incremental exit capacity;	
initial NTS SO baseline entry capacity	means in respect of each terminal and period the NTS SO baseline entry capacity specified in table A2 of schedule A within Transco plc's NTS GT licence;	
interruptible entry capacity	has the meaning given to the term interruptible NTS Entry Capacity in <u>the network code</u> ;	<div style="border: 1px solid red; padding: 2px; margin-bottom: 2px;">Deleted: system entry capacity</div> <div style="border: 1px solid red; padding: 2px;">Deleted: Transco plc's Network Code</div>
kilowatt hour or kWh	means 3,600,000 Joules;	
large user quantity	means the sum of the commercial user quantity and the small interruptible user quantity;	
LDZ capacity	has the meaning given to that term in <u>the network code</u> ;	<div style="border: 1px solid red; padding: 2px; margin-bottom: 2px;">Deleted: Transco plc's Network Code</div> <div style="border: 1px solid red; padding: 2px; margin-bottom: 2px;">Deleted: means exit capacity curtailment rights held by the licensee in respect of LDZ capacity;</div> <div style="border: 1px solid red; padding: 2px;">Deleted: LDZ capacity curtailment rights</div>
LDZ shrinkage	means the sum of LDZ own use gas and LDZ unaccounted for gas (both having the meanings given to	<div style="border: 1px solid red; padding: 2px; margin-bottom: 2px;">Deleted: means the aggregate of the local distribution zones (having the meaning given to that term in Transco plc's Network Code) comprised within the relevant Distribution Network;¶</div> <div style="border: 1px solid red; padding: 2px;">Deleted: LDZ network or LDZs</div>

	those terms in <u>the network code</u>);	Deleted: Transco plc's Network Code
non-obligated incremental entry capacity	means firm entry capacity other than obligated entry capacity;	Deleted: means a network exit agreement (having the meaning given to that term in Transco plc's Network Code); Deleted: NEXA
NTS baseline firm exit capacity	means in respect of each period the NTS firm exit capacity specified in table A3 of schedule A within Transco plc's NTS GT licence <u>or subsequently modified within the statement produced by Transco plc in accordance with Standard Special Condition A4</u> ;	Deleted: means the National Transmission System (having the meaning given to that term in Transco plc's Network Code); Deleted: NTS
NTS baseline interruptible exit capacity	means in respect of each period the NTS interruptible exit capacity specified in table A4 of schedule A within Transco plc's NTS GT licence <u>or subsequently modified within the statement produced by Transco plc in accordance with Standard Special Condition A4</u> ;	
<u>NTS firm exit capacity</u>	<u>means NTS exit capacity other than NTS interruptible exit capacity;</u>	Deleted: shall have the meaning given to that term in Transco plc's Network Code; Deleted: NTS exit capacity
NTS incremental exit capacity	means that NTS exit capacity in excess of NTS baseline firm exit capacity and NTS baseline interruptible exit capacity;	
<u>NTS interruptible exit capacity</u>	<u>means NTS exit capacity subject to exit capacity curtailment rights;</u>	
NTS SO baseline entry capacity	means in respect of each terminal and period that terminal's initial NTS SO baseline entry capacity and that terminal's permanent obligated incremental capacity for	Deleted: means the sum of NTS own use gas and NTS unaccounted for gas (both having the meanings given to those terms in Transco plc's Network Code); Deleted: NTS shrinkage

which the first day to which such capacity relates has occurred five or more years previously;

NTS system operation activity or NTS SO activity

means engagements undertaken by Transco plc pursuant to the operation of the NTS, being the procuring and using of balancing services for the purpose of balancing the NTS and the arranging with the NTS TO activity for the delivery of incremental entry capacity and NTS incremental exit capacity, including:

- (i) incremental entry capacity services;
- (ii) incremental exit capacity services;
- (iii) residual gas balancing services;
- (iv) ~~balancing management~~;
- (v) ~~constraint management services~~; ~~and~~
- (vi) ~~the provision of services in relation to gas quality~~;

Deleted: system balancing services, which include services pursuant to paragraphs 5 and 6 of standard condition 7 (Provision of Information Relating to Gas Illegally Taken)

Deleted: entry capacity

Deleted: <#>exit capacity constraint management services; and¶

NTS transportation owner activity or NTS TO activity

means the activities of Transco plc connected with the development, administration and maintenance of the NTS and with the supply of NTS services;

obligated entry capacity

means obligated incremental entry capacity and NTS SO baseline entry capacity;

obligated incremental entry capacity

means that firm entry capacity in excess of NTS SO baseline entry capacity which Transco plc is required to offer for sale in accordance with paragraph 14(5)(b) of Part 2 of Special Condition ~~C8B~~ (Restriction of revenue in respect of the NTS transportation owner activity and the NTS system operation activity) within Transco plc's

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NTS GT licence;

permanent obligated incremental entry capacity

means any obligated incremental entry capacity in respect of a given terminal, which the licensee is required to offer for sale for a period of five years or more;

residual gas balancing services

means the undertaking of engagements by Transco plc relating to the acquisition or disposal of gas to ensure the safe and efficient operation of the transportation system;

small interruptible user quantity

means the aggregate quantity of gas in kilowatt hours, taken off the Distribution Network in respect of formula year t by persons who are supplied through a supply point that is interruptible (in accordance with the network code) and who are supplied with less than 5,860,000 kilowatt hours of gas in that formula year;

Deleted: means any gas shipper, or person benefiting from an exemption under section 6A of the Act from the prohibition under section 5(1)(c) of the Act, who has arranged with the licensee for gas to be introduced into, conveyed by means of, or taken out of the transportation system;¶

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Deleted: means initial NTS SO baseline entry capacity other than long term NTS SO baseline entry capacity;

Deleted: short-term NTS SO baseline entry capacity

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small user quantity

means the Distribution Network transportation quantity less the sum of the very large user quantity and large user quantity;

specified rate

means the base rate of Barclays Bank plc current from time to time during the period in respect of which the calculation falls to be made;

subscript t

means the relevant formula year;

supply of Distribution Network services

means the undertaking and performance for gain or reward of engagements:

(a) in connection with the conveyance of gas through the transportation system;

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Deleted: and

(b) for the prevention of the escape of gas which has been taken off the transportation system; and

Deleted: Distribution Network

(c) relating to the acquisition of capacity rights, gas or gas derivatives for the purpose of:

Deleted: not for the acquisition or disposal of gas otherwise than for the efficient operation of the Distribution Network or for replacing gas lost from the system;

- (i) the balancing of the transportation system through the acquisition or disposal of gas to replace gas lost from the transportation system; and
- (ii) facilitating constraint management;

supply of NTS services means the undertaking and performance for gain and reward of engagements by Transco plc:

(a) in connection with the conveyance of gas through the NTS other than engagements in connection with activities within the definition of the NTS SO activity; and

(b) for the prevention of the escape of gas, which has been taken off the NTS, other than to the Distribution Network or any pipeline system operated by a person holding a gas transporter's licence or who is exempted from holding such a licence which but for such pipeline not being operated by the licensee, would fall within the definition of the Distribution Network;

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Deleted: means the undertaking of engagements by Transco plc in relation to:¶

¶ <#>the acquisition or disposal of gas to replace gas lost from the system in respect of NTS shrinkage; ¶

¶ <#>its functions as Top-up Manager (having the meaning given to that term in Transco plc's Network Code); and¶

¶ <#>the procurement of gas storage capacity for the purposes of meeting operating margins requirements (having the meaning given to that term in Transco plc's Network Code);¶

supply point has the meaning given to that term in the network code;

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transportation system means the system (having the meaning given to that term

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in the network code) to which this licence relates; and

very large user quantity means the aggregate quantity of gas in kilowatt hours, taken off the Distribution Network in a formula year by persons other than the licensee supplied with at least 1,465,355,000 kilowatt hours of gas in the formula year.

2. Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee shall be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes based directly on the amounts so derived.